

## Internal Revenue Service, Treasury

## § 1.149(g)-1

141(a) of the Internal Revenue Code, except that the term does not include any bond described in section 1312(c) of the Tax Reform Act of 1986 to which section 1312 or 1313 of the Tax Reform Act of 1986 applies.

(2) *Issue*—(i) *In general*. Except as otherwise provided in this paragraph (e)(2), bonds are treated as part of the same issue only if the bonds are issued—

(A) By the same issuer;

(B) On the same date; and

(C) Pursuant to a single transaction or to a series of related transactions.

(ii) *Draw-down loans, commercial paper, etc.* (A) Bonds issued during the same calendar year may be treated as part of the same issue if the bonds are issued—

(1) Pursuant to a loan agreement under which amounts are to be advanced periodically (“draw-down loan”); or

(2) With a term not exceeding 270 days.

(B) In addition, the bonds must be equally and ratably secured under a single indenture or loan agreement and issued pursuant to a common financing arrangement (e.g., pursuant to the same official statement that is periodically updated to reflect changing factual circumstances). In the case of bonds issued pursuant to a draw-down loan that meets the requirements of the preceding sentence, bonds issued during different calendar years may be treated as part of the same issue if all the amounts to be advanced pursuant to the draw-down loan are reasonably expected to be advanced within three years of the date of issue of the first bond.

(iii) *Leases and installment sales*. Bonds other than private activity bonds may be treated as part of the same issue if—

(A) The bonds are issued pursuant to a single agreement that is in the form of a lease or installment sales agreement; and

(B) All of the property covered by that agreement is reasonably expected to be delivered within three years of the date of issue of the first bond.

(iv) *Qualified 501(c)(3) bonds*. If an issuer elects under section 141(b)(9) to treat a portion of an issue as a quali-

fied 501(c)(3) bond, that portion is treated as a separate issue.

(3) *Date of issue*—(i) *Bond*. The date of issue of a bond is determined under § 1.150-1.

(ii) *Issue*. The date of issue of an issue of bonds is the date of issue of the first bond that is part of the issue. See paragraphs (e)(2) (ii) and (iii) of this section for rules relating to draw-down loans, commercial paper, etc., and leases and installment sales.

(iii) *Bonds to which prior law applied*. Notwithstanding the provisions of this paragraph (e)(3), an issue for which an information report was required to be filed under section 103(l) or section 103A(j)(3) is treated as issued prior to January 1, 1987.

(4) *Issue price*. The term “issue price” has the same meaning given the term under § 1.148-1(b).

[T.D. 8425, 57 FR 36002, Aug. 12, 1992, as amended by T.D. 8425, 59 FR 24351, May 11, 1994]

### § 1.149(g)-1 Hedge bonds.

(a) *Certain definitions*. Except as otherwise provided, the definitions set forth in § 1.148-1 apply for purposes of section 149(g) and this section. In addition, the following terms have the following meanings:

*Reasonable expectations* means reasonable expectations (as defined in § 1.148-1), as modified to take into account the provisions of section 149(f)(2)(B).

*Spendable proceeds* means net sale proceeds (as defined in § 1.148-1).

(b) *Applicability of arbitrage allocation and accounting rules*. Section 1.148-6 applies for purposes of section 149(g), except that an expenditure that results in the creation of replacement proceeds (other than amounts in a bona fide debt service fund or a reasonably required reserve or replacement fund) is not an expenditure for purposes of section 149(g).

(c) *Refundings*—(1) *Investment in tax-exempt bonds*. A bond issued to refund a bond that is a tax-exempt bond by virtue of the rule in section 149(g)(3)(B) is not a tax-exempt bond unless the gross proceeds of that refunding bond (other than proceeds in a refunding escrow for the refunded bond) satisfy the requirements of section 149(g)(3)(B).

(2) *Anti-abuse rule.* A refunding bond is treated as a hedge bond unless there is a significant governmental purpose for the issuance of that bond (e.g., an advance refunding bond issued to realize debt service savings or to relieve the issuer of significantly burdensome document provisions, but not to otherwise hedge against future increases in interest rates).

(d) *Effective date.* This section applies to bonds issued after June 30, 1993 to which §§1.148-1 through 1.148-11 apply. In addition, this section applies to any issue to which the election described in §1.148-11(b)(1) is made.

[T.D. 8476, 58 FR 33549, June 18, 1993]

**§ 1.150-1 Definitions.**

(a) *Scope and effective date—(1) In general.* Except as otherwise provided, the definitions in this section apply for all purposes of sections 103 and 141 through 150.

(2) *Effective date—(i) In general.* Except as otherwise provided in this paragraph (a)(2), this section applies to issues issued after June 30, 1993 to which §§1.148-1 through 1.148-11 apply. In addition, this section (other than paragraph (c)(3) of this section) applies to any issue to which the election described in §1.148-11(b)(1) is made.

(ii) *Special effective date for paragraphs (c)(1), (c)(4)(iii), and (c)(6).* Paragraphs (c)(1), (c)(4)(iii), and (c)(6) of this section apply to bonds sold on or after July 8, 1997 and to any issue to which the election described in §1.148-11(b)(1) is made. See §1.148-11A(i) for rules relating to certain bonds sold before July 8, 1997.

(3) *Exception to general effective date.* See §1.141-15 for the effective date of the definition of bond documents contained in paragraph (b) of this section.

(b) *Certain general definitions.* The following definitions apply:

*Bond* means any obligation of a State or political subdivision thereof under section 103(c)(1).

*Bond documents* means the bond indenture or resolution, transcript of proceedings, and any related documents.

*Capital expenditure* means any cost of a type that is properly chargeable to capital account (or would be so chargeable with a proper election or with the

application of the definition of placed in service under §1.150-2(c)) under general Federal income tax principles. For example, costs incurred to acquire, construct, or improve land, buildings, and equipment generally are capital expenditures. Whether an expenditure is a capital expenditure is determined at the time the expenditure is paid with respect to the property. Future changes in law do not affect whether an expenditure is a capital expenditure.

*Conduit borrower* means the obligor on a purpose investment (as defined in §1.148-1). For example, if an issuer invests proceeds in a purpose investment in the form of a loan, lease, installment sale obligation, or similar obligation to another entity and the obligor uses the proceeds to carry out the governmental purpose of the issue, the obligor is a conduit borrower.

*Conduit financing issue* means an issue the proceeds of which are used or are reasonably expected to be used to finance at least one purpose investment representing at least one conduit loan to one conduit borrower.

*Conduit loan* means a purpose investment (as defined in §1.148-1).

*Governmental bond* means any bond of an issue of tax-exempt bonds in which none of the bonds are private activity bonds.

*Issuance costs* means costs to the extent incurred in connection with, and allocable to, the issuance of an issue within the meaning of section 147(g). For example, issuance costs include the following costs but only to the extent incurred in connection with, and allocable to, the borrowing: underwriters' spread; counsel fees; financial advisory fees; rating agency fees; trustee fees; paying agent fees; bond registrar, certification, and authentication fees; accounting fees; printing costs for bonds and offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than for qualified guarantees (as defined in §1.148-4(f)); and similar costs.

*Issue date* means, in reference to an issue, the first date on which the issuer receives the purchase price in exchange for delivery of the evidence of indebtedness representing any bond included